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MEMORANDUM FOR: Deputy Director/Intelligence

SUBJECT: Comments on Department of State Letter to the
Chairman, CFEF, subject: "Need for a Commodity
Discussion on Lead and Zinc," dated 14 July 1958.

1. Although the subject letter deals with matters which are outside the purview of this Office, you may be interested in the information provided below.

2. At the present time, the Sino-Soviet Bloc is not an important factor in Free World lead and zinc markets. In 1957 the USSR was a net importer of about 15-20 thousand tons of lead from the Free World and a net exporter of about 25-30 thousand tons of zinc to the Free World. In 1957 Poland was a net exporter of 25,000 tons of zinc to the Free World. The remainder of the Bloc were net importers of lead and net exporters of zinc to the Free World, but on a small scale. These quantities are not large when compared with total international trade in these commodities, which in 1957 was about 1.7 million tons in the case of zinc and about 1 million tons in the case of lead. The major Free World consumer of Soviet and Polish zinc is the UK; lesser quantities go to Sweden, the Netherlands, and India.

3. The Vice President of Raznoimport recently stated that the USSR did not export lead because all home production was needed internally. He added that the USSR did export zinc and that the zinc exported was of Russian origin. The USSR could probably increase its exports of zinc and begin exporting lead if political, propaganda, or similar reasons prompted them to do so. Sino-Soviet Bloc production of lead in 1957 was about 530,000 tons, of which the USSR accounted for about 280,000 tons; comparable figures for zinc are 815,000 tons and 290,000 tons.

4. By way of further background, the Department's position appears to be shared by at least one senior industry official in the United

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copies of which were sent to the Department of State and relayed to us. Two paragraphs from these memoranda are worth quoting:

"Undoubtedly, both the ambassadors and their home governments are much gratified by the administration's new (Minerals Stabilization) plan because it avoids the tariffs which they have so long opposed. We believe that an analysis of the plan will show that from the standpoint of the foreign mine producers of copper, lead and zinc, the victory will prove to be a Pyrrhic one. It is our considered judgment that if the plan goes into effect as proposed by Secretary Seaton it may stabilize prices for domestic miners, but it will cause increased instability for foreign miners. Under current conditions, if the plan were to operate we foresee the possibility of a much lower market price for all three metals.

"There is a present surplus of world production over consumption. The (Minerals Stabilization) plan will increase this surplus to the extent indicated above. The domestic mine producers obviously are not going to retain unsold stocks of metals. The government pays them only a differential. From their standpoint the sensible thing to do would be to sell these metals at whatever price they can obtain. Therefore, they will offer metal at lower than present prices, if necessary."

OTTO E. GUTHE
Assistant Director
Research and Reports

Enclosure:

CFEP 574/1, 17 July 1958, with
enclosure.

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